

éDumbe Local Municipality – KZ 261

SUMMARY OF 2010/2011 BUDGET

1. The 2010/2011 budget

1.1. Legislative framework

The 2010/2011 budget is prepared in accordance with the Local Government; Municipal Finance Management Act, 2003 and the Municipal Budget and reporting regulations issued by the Minister in terms of Section 168(1) of the Act. In terms of these regulations a multi-year budget spanning over three (3) years is prepared. It needs to be noted that the figures for 2011/2012 and 2012/2013 are indicative in terms of the medium term expenditure framework.

1.1.1. The budget comprise of two categories:

- (a) Operational Budget
- (b) Capital Budget

1.2. The focus area where éDumbe Municipality is rendering service to community includes the following:

- 1.2.1.1. Electricity supply
- 1.2.1.2. Solid waste removal
- 1.2.1.3. Cemeteries
- 1.2.1.4. Fire fighting
- 1.2.1.5. Municipal health services
- 1.2.1.6. Traffic
- 1.2.1.7. Municipal roads

1.3. Linkages between the budget, the IDP and political priorities

Firstly, the budget timetable and the IDP process plan are aligned through an integrated time schedule.

Secondly, the IDP is prepared and the projects there from are included in the budget with each project properly reference per IDP reference number.

Moreover, the financial plan comprising the total budget, among other items, is included in the IDP.

Finally, the implementation of water and sanitation projects and other assigned functions through the structures Act constitutes compliance with National, Provincial and Local development goals to eradicate backlogs of the past.

1.4. The budget is summarized in more detail in the attached draft budget 2010/2011 schedules. However, the comments on the budget are as follows:

| MAIN BUDGET SUMMARY | 2009/2010 | 2010/2011 | DIFFERENCE |
|----------------------------|--------------------|-----------------------|-------------------|
| Total operating budget | R43, 540, 728 | R49, 386, 670 | + 11.83% |
| Capital budget | R17, 358, 000 | R18, 386, 000 | + 5.59% |
| Total budget | R60 898 728 | R, 67, 022,670 | + 10.05% |

The analysis of the two financial years shows the increase on operating budget of 11, 83% and an increase in capital budget of 5, 59%.

2. HIGHLIGHTS OF THE EXPENDITURE

2.1. OPERATING EXPENDITURE

2.1.1 Employee Related Costs

The employee related costs comprises 37.5% of the total operating budget. The primary reason for the high percentage on salaries is because they are employees who are earning more than the scale and this was done by the old management. The current management cannot rectify this since the municipality can reduce the salary of any employees. The other reason for the increase is the annual increment of 9%. The vacant and new positions included in the operating budget are as follows:

| VACANT ALREADY ON THE BUDGET | NEW POSTS BUDGETED |
|-------------------------------------|--|
| Director Infrastructure Services | Information Technology Manager |
| Manager office of the Mayor | Budget Officer (replace Financial Ass) |
| Manager Community Services | Procurement Clerk X2 |
| Driver/ Operator | Professional Nurse |
| Traffic Officer | Live Scan Operator |
| Human Resource Clerk | IDP/ PMS Officer |
| 8X General Assistant | |

2.1.2. Repairs and Maintenance

2.1.2.1 Vehicles

The budget for repairs and maintenance of vehicles is provided for due poor conditions of vehicles and Plant machinery. They are also new vehicles which we budgeted for to replace existing vehicles in terms of council policy.

2.1.2.2 Municipal Building and Facilities

The budget for repairs and maintenance of municipal building such as halls, stadium is also provided due to poor conditions of the municipal building. The budget will assist on the renovation of other facilities especially halls.

2.1.3. General Expenses

2.1.3.1. The major items that have increased during the 2009/10 in this category include:

(a) Fuel & Oil – The budget for fuel & oil is based on the actual diesel, petrol and oil bought by the municipality in 2009/2010 financial year with the projected increase.

2.1.3.2. Items with direct impact on communities include the following:

| | |
|-----------------------------------|-------------|
| Poverty alleviation | R 350 000 |
| LED | R 500 000 |
| Community Development | R 600 000 |
| Electricity Infrastructure | R 150 000 |
| Youth and Sport Development | R 1 023 000 |
| Community Trainings | R 400 000 |
| Community Participation | R 80 000 |
| TB, HIV & AIDS awareness campaign | R 150 000 |
| Working Capital Reserves | R 2 495 863 |

| | |
|---|---------------------------|
| Total Community and Social Expenditure | <u>R 5 748 863</u> |
|---|---------------------------|

2.2. CAPITAL EXPENDITURE

The capital projects budgeted for are as follows:

2.2.1. Revenue contributions (own funds)

| | |
|--------------------------------|-------------|
| Vehicles | R 1 880 000 |
| Electrification of Rural Areas | R 3 400 000 |

| | |
|------------------------------|--------------------|
| Sub Total (Own Funds) | R 5 280 000 |
|------------------------------|--------------------|

2.2.2. Municipal Infrastructure Grant

| | |
|-----------------------------|--------------------|
| Solid waste | R 598 000 |
| Roads – Rural re-gravelling | R 5 000 000 |
| Causeway | R 1 400 000 |
| Roads – PaulPietersburg | R 1 000 000 |
| Electrification | R 2 600 000 |
| Sub Total MIG | R10 598 000 |

2.2.3. Integrated Electrification Programme (DME)

| | |
|------------------------|--------------------|
| Electrification | R 2 508 000 |
| Sub Total – DME | R 2 508 000 |
| TOTAL CAPITAL | R18 386000 |

NB: MIG has increased from R9, 000,000 to R10, 598,000

3. **HIGHLIGHTS OF INCOME**

In terms of Municipal Finance Management Act no. 56 of 2003, the annual budget may only be funded from revenue/Income as per section 18 (1) (a, b &c) and section 19 of the Act.

3.1. **OPERATING INCOME**

The sources of funding are important to ensure that the budget is actually funded and cash backed. The following items warrant specific mention:

3.1.1. **SALE OF ELECTRICITY AND REFUSE FEES**

The increase of 19% on the electricity has been budgeted for after the NERSA announcement to increase ESKOM tariffs by 29% for bulk purchases.

3.1.2. **INTEREST INCOME**

Interest Income is expected to decrease since the municipality does not have major investments, from R1, 000,000 to R100, 000. This came after municipality didn't to receive the projected amount of R1 million in 2009/2010 financial year.

3.1.3. **EQUITABLE SHARE**

Equitable share has been substantially increased from R 21 496 819 to R 26 395 000

3.1.4. PROVINCIAL GRANTS.

Provincial grants are based on the provincial 2010/11 budget allocations. The grants that will be received by éDumbe Municipality is as follows:

| | |
|---|-----------|
| Greenest Municipality Competition | R 15 000 |
| Municipal Clinics | R 452 000 |
| Property Rates | R 62 000 |
| Recapitalization of Community Libraries | R 90 000 |
| Capacity Building-Flanders Programme | R 170 000 |

TOTAL CAPITAL

R 789 000

4. **BUDGET RELATED RESOLUTIONS**

The Executive Committee resolves to recommend that:

- 4.1. The budget of the municipal for the year 2010/2011; and indicative figures for the two projected outer years 2011/2012 and 2012/2013 be approved as set-out in the following schedules:
- Table A1 Budget Summary.
 - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - Table A4 Budgeted Financial Performance (revenue and expenditure).
 - Table A5 Budgeted Capital expenditure by vote, standard classification and funding.
 - Table A6 Budgeted Financial Position.
 - Table A7 Budgeted Cash Flows
 - Table A8 Cash backed reserves/accumulated surplus reconciliation
 - Table A9 Asset Management
 - Table A10 Basic service delivery measurements
 - Supporting documents from SA1 to SA37.
- 4.2. The Municipal Manager to be authorized to proceed with the procedure as stipulated in the MFMA and in terms of the guidelines stipulated by the Minister in terms of Section 168(1) of the Act.

- 4.3. The grants be accepted and approved with appreciation.
- 4.4. The staff structure be approved as budgeted for.
- 4.5. The Quality Certificate be approved.
- 4.6. That the tariff policy, credit control and debt collection policy, cash management and investment policy, supply chain management policy and financial plan have been reviewed and no changes are considered necessary.
- 4.7. That the funding and reserves policy be developed in compliance with Budget and Reporting Regulations.
- 4.8. That the tariffs be approved.
- 4.9. That virement policy be approved

QUALITY CERTIFICATE

I, **AMT Putini, Municipal Manager** of **éDumbe Local Municipality**, hereby certify that the annual budget for 2010/2011 financial year and supporting documentation has been prepared in accordance with the Municipal Finance Management Act, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Date: _____

AMT Putini
Municipal Manager
éDumbe Local Municipality (KZ261)